

It is worth remarking that the Australian crisis was not due to an excess of issues of bank-notes, whose figures, on the contrary, have never ceased to restrain themselves within reasonable limits, but to the large lock-ups upon mortgage advances which could not be repaid, which left the banks without the liquid resources necessary to satisfy their depositors.

The discredit thrown upon the notes of suspended banks by the crisis of 1893, <sup>an<^ ^e</sup> pressure for currency which usually accompanies the disappearance of credit, led to a temporary issue of government notes in New South Wales and to some modifications of the banking law. The principal change affecting the bank-note circulation was the adoption of the provision, enacted in Victoria in 1888, making the notes of a failed bank a first charge on the assets. Bank-notes were made a legal tender except at the bank, as in the case of the notes of the Bank of England, and the amount in circulation, in excess of the coin reserve, was not permitted to exceed one-third of the capital, nor to exceed in any case £2,000,000.

The essential difficulty in Australia was the sudden check to the current of British capital which had been pouring in and even quiet withdrawals of much of it. Careful estimates showed that during the two years 1891 and 1892, before the tide turned outward, the total capital imported into the colonies was ^25,083,000, of which ^18,786,000 was introduced by various governing bodies. During the three years which followed there were withdrawals of private capital to the amount of ^7,619,000.\*

The future of Australian banking was by no means free from storm-clouds after the worst of the crash of 1893 was over. The banks adopted plans of reconstruction, which involved the change of demand and time deposits into deferred liabilities, with interest in most cases at four and a half per cent. This plan afforded a breathing spell, and the principal of these deposits did not become due in any considerable amount until 1898. The payments required in that year by the original plans were ^10,605,772 ; in 1899, ^10,873,620 ;

<sup>1</sup> Coi^hlan, *The Seven Colonies of Australasia*, 1898, 437.